

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Taylor County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$15,782 from the prior year, resulting in excess fees of \$150,219 as of December 31, 2009. Revenues decreased by \$273,687 from the prior year and expenditures decreased by \$257,905.

Report Comments:

- The County Clerk Should Require Timesheets Be Prepared By Employees
- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Taylor County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2010 on our consideration of the Taylor County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Require Timesheets Be Prepared By Employees
- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Taylor County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 28, 2010

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services	\$	9,801	
Fiscal Court			6,005
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	778,507	
Usage Tax		1,549,696	
Tangible Personal Property Tax		1,555,655	
Lien Fees		11,248	
Other-			
Marriage Licenses		7,313	
Affordable Housing Trust		26,922	
Deed Transfer Tax		42,294	
Delinquent Tax		167,303	4,138,938
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		12,822	
Real Estate Mortgages		42,710	
Chattel Mortgages and Financing Statements		61,683	
Powers of Attorney		2,829	
All Other Recordings		28,467	
Charges for Other Services-			
Candidate Filing Fees		2,300	
Copywork		7,470	
Miscellaneous		157	158,438
Interest Earned			5,435
Total Revenues			4,318,617

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 524,660

Usage Tax 1,499,169

Tangible Personal Property Tax 547,412

Licenses, Taxes, and Fees-

Delinquent Tax 38,944

Legal Process Tax 23,263

Affordable Housing Trust 26,922 \$ 2,660,370

Payments to Fiscal Court:

Tangible Personal Property Tax 97,805

Delinquent Tax 12,505

Deed Transfer Tax 40,034 150,344

Payments to Other Districts:

Tangible Personal Property Tax 848,211

Delinquent Tax 69,641 917,852

Payments to Sheriff

12,378

Payments to County Attorney

20,017

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 216,583

Part-Time Salaries 3,461

Employee Benefits-

Employer's Paid Health Insurance 67,281

Contracted Services-

Computer Services 3,827

Printing and Binding 4,942

Contract Labor 425

Materials and Supplies-

Office Supplies 7,568

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-			
Conventions and Travel	\$	1,334	
Credit/Debit Equipment and Fees		4,919	
Dues		780	
Miscellaneous		427	
Refunds		169	
Usage Tax Refunds		4,036	
Capital Outlay-			
Office Equipment		1,887	
Office Fixtures and Remodeling		3,290	\$ 320,929
Total Expenditures			\$ 4,081,890
Net Revenues			236,727
Less: Statutory Maximum			79,380
Excess Fees			157,347
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,528	7,128
Excess Fees Due County for 2009			150,219
Payments to Fiscal Court:			
March 9, 2010		147,000	
April 13, 2010		3,219	150,219
Balance Due Fiscal Court at Completion of Audit			\$ 0

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Taylor County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Taylor County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Taylor County Clerk for the year ended December 31, 2009, and have issued our report thereon dated April 28, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the following significant deficiency to be a material weakness.

- The County Clerk's Office Lacks Adequate Segregation Of Duties

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The County Clerk Should Require Timesheets Be Prepared By Employees

The Taylor County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Taylor County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 28, 2010

COMMENTS AND RECOMMENDATIONS

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Timesheets Be Prepared By Employees

During our review of payroll, we noted no timesheets were prepared for all employees of the County Clerk's office for calendar year 2009. KRS 337.320 (1) (b) states "Every employer shall keep a record of: ...Hours worked each day and each week by each employee..."

We recommend all employees prepare a timesheet each pay period indicating the actual hours worked, any sick or vacation leave taken, signed by the employee indicating that they agree with the report, and reviewed and signed by their supervisor.

County Clerk's Response: Plans are in the works to begin using timesheets again.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

The County Clerk Should Deposit Funds Intact On A Daily Basis

During our review of cash and cash receipts we noted the County Clerk did not deposit all funds collected intact on a daily basis. The County Clerk's change fund is supposed to be \$200 for each of the seven cash drawers totaling \$1,400. Auditors reviewed the County Clerk's daily checkout sheets for a portion of the calendar year and noted that each day had a different amount for cash on hand at the end of the day ranging from \$1,300 to \$1,750. The auditor noted that the County Clerk only deposits checks and large bills. Also, the County Clerk is leaving the daily cash receipts overnight in his vault and making the deposit the next morning. This would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in the vault. If a fire were to occur due to electrical wires in the vault, the wooden cabinet would be destroyed along with any monies contained within. All public funds should be deposited into an official bank account on a daily basis and the accumulation and retention of cash in excess of \$200 per necessary cash drawer should not be left as start up money for the next day.

We recommend that the County Clerk make daily deposits intact and leave a maximum of \$200 in each of his seven cash drawers. We also recommend that the County Clerk either take daily collections to the bank overnight for safekeeping or house in a fire proof place in his vault until deposit can be made the next morning.

County Clerk's Response: There are some days that are below \$1,300 and very few that are close to \$1,750. We have 7 drawers and do not deposit \$10, \$5, or \$1's. We use the POS system to count/determine the amount we leave in the drawers.

Auditor's Reply: At the end of each day, if the drawers are not counted down to \$200, the daily deposit to the bank will not agree to the daily receipts recorded by the POS system. Leaving unresolved variances increases the risk for misappropriated funds.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties over receipts and disbursements. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledgers. The County clerk also performs these duties. Another deputy and the County Clerk jointly prepare the quarterly financial reports. The County Clerk prepares, signs, and posts all disbursements with the exception of payroll. Another deputy prepares bank reconciliations for the fee and payroll accounts and the County Clerk reviews however this review is not documented. Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, recording and reporting of those receipts and disbursements and reconciling the records. Lack of segregation of duties increases the County Clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

We recommend the County Clerk strengthen internal controls by segregating these duties. If segregation of duties is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

County Clerk's Response: No response.

